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FUJIAN HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00181)

ANNOUNCEMENT INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHT

	Six months ended 30 June 2019 HK\$	Six months ended 30 June 2018 HK\$
● Revenue	<u>19,335,725</u>	<u>17,867,957</u>
● Profit attributable to owners of the Company	<u>1,853,897</u>	<u>1,078,522</u>
● Profit per share — Basic and diluted (HK cents per Share)	<u>0.16</u>	<u>0.09</u>

RESULTS

The Board of Directors (the “Board”) of Fujian Holdings Limited (the “Company”) hereby present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Period”) together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 January 2019 to 30 June 2019 (in HK Dollars)

	<i>Note</i>	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Revenue	3	19,335,725	17,867,957
Other income	5	283,084	153,649
Other gains and losses	6	329,607	483,349
Employee benefits expense		(7,938,059)	(7,032,967)
Depreciation		(2,115,371)	(2,193,850)
Amortisation of prepaid lease payment		(937,003)	(937,003)
Share of results of associates		1,790,806	1,717,575
Other operating expenses		<u>(8,589,650)</u>	<u>(8,599,259)</u>
Profit before tax		2,159,139	1,459,451
Income tax expense	7	<u>(305,242)</u>	<u>(380,929)</u>
Profit for the period	8	<u>1,853,897</u>	<u>1,078,522</u>
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		<u>(126,438)</u>	<u>(227,543)</u>
Other comprehensive expense for the period, net of tax		<u>(126,438)</u>	<u>(227,543)</u>
Total comprehensive income for the period		<u><u>1,727,459</u></u>	<u><u>850,979</u></u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

For the period from 1 January 2019 to 30 June 2019 (in HK Dollars)

	<i>Note</i>	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		<u>1,853,897</u>	<u>1,078,522</u>
Total comprehensive income attributable to:			
Owners of the Company		<u>1,727,459</u>	<u>850,979</u>
Earnings per share			
Basic (HK cents per share)	9	<u>0.16</u>	<u>0.09</u>
Diluted (HK cents per share)	9	<u>0.16</u>	<u>0.09</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2019 (in HK Dollars)

		30 June 2019 (Unaudited)	31 December 2018 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	23,938,643	26,039,356
Prepaid lease payment	12	12,024,871	12,961,874
Investment properties	13	230,300,000	230,300,000
Interests in associates		99,648,681	97,857,873
Deferred tax assets		<u>1,886,819</u>	<u>1,886,819</u>
		<u>367,799,014</u>	<u>369,045,922</u>
Current assets			
Inventories	14	280,267	273,071
Trade and other receivables	15	2,117,598	1,738,815
Cash and bank balances		<u>52,874,951</u>	<u>49,541,745</u>
		<u>55,272,816</u>	<u>51,553,631</u>
Current liabilities			
Trade and other payables	16	12,628,624	11,487,862
Tax payable		<u>579,313</u>	<u>615,836</u>
		<u>13,207,937</u>	<u>12,103,698</u>
Net current assets		<u>42,064,879</u>	<u>39,449,933</u>
Total assets less current liabilities		<u>409,863,893</u>	<u>408,495,855</u>
Capital and reserves			
Share capital	17	898,839,029	898,839,029
Reserves		<u>(492,698,834)</u>	<u>(494,426,293)</u>
Equity attributable to owners of the Company and total equity		<u>406,140,195</u>	<u>404,412,736</u>
Non-current liabilities			
Deferred tax liabilities		<u>3,723,698</u>	<u>4,083,119</u>
		<u>409,863,893</u>	<u>408,495,855</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2019 to 30 June 2019 (in HK Dollars)

	Attributable to owners of the Company			Total
	Share capital	Translation reserve	Accumulated losses	
At 1 January 2019 (audited)	<u>898,839,029</u>	<u>(8,940,191)</u>	<u>(485,486,102)</u>	<u>404,412,736</u>
Profit for the period	—	—	1,853,897	1,853,897
Other comprehensive expense for the period	—	<u>(126,438)</u>	—	<u>(126,438)</u>
Total comprehensive income/(expense) for the period	—	<u>(126,438)</u>	<u>1,853,897</u>	<u>1,727,459</u>
At 30 June 2019 (unaudited)	<u>898,839,029</u>	<u>(9,066,629)</u>	<u>(483,632,205)</u>	<u>406,140,195</u>

	Attributable to owners of the Company			Total
	Share capital <i>(Note 17)</i>	Translation reserve	Accumulated losses	
At 1 January 2018 (audited)	<u>898,839,029</u>	<u>(2,679,259)</u>	<u>(494,901,746)</u>	<u>401,258,024</u>
Profit for the period	—	—	1,078,522	1,078,522
Other comprehensive expense for the period	—	<u>(227,543)</u>	—	<u>(227,543)</u>
Total comprehensive income/(expense) for the period	—	<u>(227,543)</u>	<u>1,078,522</u>	<u>850,979</u>
At 30 June 2018 (unaudited)	<u>898,839,029</u>	<u>(2,906,802)</u>	<u>(493,823,224)</u>	<u>402,109,003</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2019 to 30 June 2019 (in HK Dollars)

1. GENERAL

Fujian Holdings Limited (the “Company”) is incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company is HC Technology Capital Company Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Fujian Tourism Development Group Company Limited (“FTDC”), a state-owned corporation in the People’s Republic of China (the “PRC”). The addresses of the registered office and principal place of business of the Company is Room 3306–08, 33/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are investment holding, property investment in Hong Kong and hotel operations in the PRC.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2018.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

On 1 January 2019, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised HKFRSs, amendments and interpretations does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior period.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value.

These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”).

3. REVENUE

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Gross rental income from letting of investment properties	3,576,147	2,670,167
Revenue from hotel operations	<u>15,759,578</u>	<u>15,197,790</u>
	<u><u>19,335,725</u></u>	<u><u>17,867,957</u></u>

(i) Disaggregated of revenue from contract with customers

	30 June 2019 (Unaudited)
Types of goods or services	
Accommodation income	9,822,422
Catering and other income	<u>5,937,156</u>
	<u><u>15,759,578</u></u>
Geographical markets	
Mainland China	<u>15,759,578</u>
Timing of revenue recognition	
A point in time	5,937,156
Over time	<u>9,822,422</u>
	<u><u>15,759,578</u></u>

(ii) Performance obligations

For hotel operations, the performance obligation is satisfied when services are rendered.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June 2019 are all expected to be recognised within one year.

4. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

The Group’s operating and reportable segments under HKFRS 8 are as follows:

Property investment	—	the rental of investment properties
Hotel operations	—	the operation of hotel

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments and operating segments:

	Property investment		Hotel operations		Consolidated	
	30 June	30 June	30 June	30 June	30 June	30 June
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Revenue from external customers	<u>3,576,147</u>	<u>2,670,167</u>	<u>15,759,578</u>	<u>15,197,790</u>	<u>19,335,725</u>	<u>17,867,957</u>
Segment profit before depreciation amortisation and others	3,512,187	2,529,300	2,933,718	3,767,453	6,445,905	6,296,753
Depreciation	—	—	(2,093,127)	(2,147,022)	(2,093,127)	(2,147,022)
Amortisation	—	—	(937,003)	(937,003)	(937,003)	(937,003)
Segment results	3,512,187	2,529,300	(96,412)	683,428	3,415,775	3,212,728
Unallocated income/(expenses)					61,111	(36,696)
Central administration costs					(3,108,553)	(3,434,156)
Share of results of associates					<u>1,790,806</u>	<u>1,717,575</u>
Profit before tax					2,159,139	1,459,451
Income tax expense					<u>(305,242)</u>	<u>(380,929)</u>
Profit for the period					<u>1,853,897</u>	<u>1,078,522</u>

Segment revenue as reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (30 June 2018: nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of bank interest income and other unallocated income/(expense), corporate administration costs including director's remuneration, share of profit/(loss) of associates and income tax (expense)/credit. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Property investment		Hotel operations		Consolidated	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Assets						
Segment assets	242,884,103	242,489,956	78,591,279	78,311,355	321,475,382	320,801,311
Interest in an associate					99,648,679	97,857,873
Unallocated corporate assets					<u>1,947,769</u>	<u>1,940,369</u>
Consolidated total assets					<u>423,071,830</u>	<u>420,599,553</u>
Liabilities						
Segment liabilities	(2,410,709)	(2,679,827)	(9,799,502)	(8,587,347)	(12,210,211)	(11,267,174)
Unallocated corporate liabilities					<u>(4,721,424)</u>	<u>(4,919,643)</u>
Consolidated total liabilities					<u>(16,931,635)</u>	<u>(16,186,817)</u>

All assets are allocated to operating segments other than interest in associates, deferred tax assets, financial assets designated as at fair value through profit or loss and certain cash and bank balances.

All liabilities are allocated to operating segments other than certain balances of current liabilities and deferred tax liabilities.

Geographical information

The Group operates in two principal geographical areas — the Mainland China and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets are present based on the geographical location of asset are detailed below:

	Revenue from external customers	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Mainland China	15,759,578	15,197,790
Hong Kong	<u>3,576,147</u>	<u>2,670,167</u>
	<u>19,335,725</u>	<u>17,867,957</u>

5. OTHER INCOME

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Bank interest income	217,841	63,484
Others	<u>65,243</u>	<u>90,165</u>
	<u>283,084</u>	<u>153,649</u>

6. OTHER GAINS AND LOSSES

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Gain arising on change in fair value of financial assets designated at fair value through profit or loss	363,418	576,275
Net foreign exchange losses	(33,811)	(88,559)
Others	<u>—</u>	<u>(4,367)</u>
	<u>329,607</u>	<u>483,349</u>

7. INCOME TAX EXPENSE

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Current tax — PRC	664,662	(350,364)
Deferred tax		
Current period	<u>(359,420)</u>	<u>(30,565)</u>
Income tax expense	<u>(305,242)</u>	<u>(380,929)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2019.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its Hong Kong subsidiaries did not have any assessable profits for the year (30 June 2018: Nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

8. PROFIT FOR THE PERIOD

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Gross rental income from investment properties	(3,576,147)	(2,670,167)
Less: Direct operating expenses that generated rental income during the period	<u>63,960</u>	<u>140,867</u>
	<u>(3,512,187)</u>	<u>(2,529,300)</u>
Depreciation of hotel property	1,224,531	1,224,531
Depreciation of other property, plant and equipment	<u>890,840</u>	<u>969,319</u>
	<u>2,115,371</u>	<u>2,193,850</u>
Amortisation of prepaid lease payment	<u>937,003</u>	<u>937,003</u>
Total depreciation and amortisation	<u>3,052,374</u>	<u>3,130,853</u>
Salaries and other benefits (including directors' remunerations)	7,445,343	6,582,496
Retirement benefit scheme contributions	<u>492,716</u>	<u>450,471</u>
Staff costs	<u>7,938,059</u>	<u>7,032,967</u>
Share of tax of associates (included in share of results of associates)	<u>1,790,806</u>	<u>568,016</u>

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Company is based on the unaudited consolidated net profit attributable to the owner of the Company of HK\$1,853,897 (30 June 2018: HK\$1,078,522), on 1,145,546,000 ordinary shares in issue during the period.

The diluted earnings per share for the respective periods are the same as basic earnings per share as there are no potential ordinary shares in issue for the respective period.

10. INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the period (30 June 2018: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Hotel property (Unaudited)	Furniture and fixtures (Unaudited)	Leasehold improvements (Unaudited)	Plant, machinery and equipment (Unaudited)	Total (Unaudited)
At cost					
At 1 January 2018 (audited)	92,391,462	3,421,041	19,441,238	6,485,565	121,739,306
Additions	—	8,224	866,754	441,084	1,316,062
Disposal and write-off	—	(49,295)	—	(39,020)	(88,315)
Exchange adjustments	—	(155,498)	(883,832)	(292,286)	(1,331,616)
At 31 December 2018 and 1 January 2019 (audited)	92,391,462	3,224,472	19,424,160	6,595,343	121,635,437
Additions	—	23,500	—	50,920	74,420
Written off	—	(62,951)	—	(49,122)	(112,073)
Exchange adjustments	—	(12,528)	(75,535)	(16,658)	(104,721)
As at 30 June 2019	<u>92,391,462</u>	<u>3,172,493</u>	<u>19,348,625</u>	<u>6,580,483</u>	<u>121,493,063</u>
Depreciation and impairment					
At 1 January 2018 (audited)	73,003,043	2,597,128	11,870,867	4,380,031	91,851,069
Provided for the year	2,449,064	165,582	1,666,895	474,441	4,755,982
Eliminated on disposal and write-off	—	(49,295)	—	(24,362)	(73,657)
Exchange adjustments	—	(124,068)	(598,972)	(214,273)	(937,313)
At 31 December 2018 and 1 January 2019 (audited)	75,452,107	2,589,347	12,938,790	4,615,837	95,596,081
Provided for the period	1,224,531	64,326	626,753	199,761	2,115,371
Eliminated on written off	—	(56,982)	—	(24,760)	(81,742)
Exchange adjustments	—	(10,179)	(51,287)	(13,824)	(75,290)
As at 30 June 2019	<u>76,676,638</u>	<u>2,586,512</u>	<u>13,514,256</u>	<u>4,777,014</u>	<u>97,554,420</u>
Net carrying amounts					
as at 30 June 2019	<u>15,714,824</u>	<u>585,981</u>	<u>5,834,369</u>	<u>1,803,469</u>	<u>23,938,643</u>
As at 31 December 2018 (audited)	<u>16,939,355</u>	<u>635,125</u>	<u>6,485,370</u>	<u>1,979,506</u>	<u>26,039,356</u>

12. PREPAID LEASE PAYMENT

COST

At 1 January 2018, 31 December 2018, 1 January 2019 and 30 June 2019 86,000,000

AMORTISATION AND IMPAIRMENT

At 1 January 2018 71,164,119

Amortisation for the year 1,874,007

At 31 December 2018 and at 1 January 2019 73,038,126

Amortisation for the period 937,003

At 30 June 2019 73,975,129

NET CARRYING AMOUNT

At 30 June 2019 12,024,871

At 31 December 2018 12,961,874

Notes:

- (i) Pursuant to the terms of a joint venture agreement signed between the Xiamen Railway Department Company Limited (“Railway Department”) and Yan Hei Limited (“Yan Hei”), both parties have agreed to establish a sino-foreign co-operative joint venture enterprise known as Xiamen Plaza, an indirect wholly owned subsidiary of the Company to operate and manage the Hotel. The land use rights of the Hotel have been granted to the joint venture partner and Xiamen Plaza is vested with the land use rights of the Hotel throughout the operation period of Xiamen Plaza.
- (ii) The Group’s prepaid lease payment is a leasehold land situated in the Xiamen and held under medium-term lease.

13. INVESTMENT PROPERTIES

FAIR VALUE

At 31 December 2018 and at 30 June 2019 230,300,000

All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

14. INVENTORIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Consumables	<u>280,267</u>	<u>273,071</u>

15. TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables	1,561,968	1,292,257
Loss allowance	<u>(71,375)</u>	<u>(71,656)</u>
	<u>1,490,593</u>	<u>1,220,601</u>
Other receivables, utility deposits and prepayments	13,516,729	13,470,251
Loss allowance	<u>(12,889,724)</u>	<u>(12,952,037)</u>
	<u>627,005</u>	<u>518,214</u>
Total trade and other receivables	<u>2,117,598</u>	<u>1,738,815</u>

As at 30 June 2019 and 1 January 2019, trade receivables from contracts with customers amounted to HK\$1,561,968 and HK\$1,292,257 respectively.

The following is an aged analysis of trade receivables net of loss allowance presented based on the invoice dates at the end of the reporting period.

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
0–30 days	1,232,344	1,217,791
31–60 days	229,579	—
61–90 days	23,417	91
91–180 days	22	1,210
181–360 days	3,729	—
Over 360 days	<u>1,502</u>	<u>1,509</u>
	<u>1,490,593</u>	<u>1,220,601</u>

As at 30 June 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,502 which are past due as at the reporting date. These relate to a number of independent customers that have a good payment track record with the Group.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$1,509 which are past due as at the reporting date for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired:

	30 June 2019 (Unaudited)
Past due but not impaired	
Over six months and within one year	3,729
Over one year	<u>1,502</u>
	<u><u>5,231</u></u>

Movements in the allowance for doubtful debts on trade receivables are as follows:

	30 June 2019 (Unaudited)
Balance at the beginning of year	71,656
Exchange adjustment	<u>(281)</u>
Balance at the end of period	<u><u>71,375</u></u>

Movement in the allowance for doubtful debts on other receivables are as follows:

	30 June 2019 (Unaudited)
Balance at the beginning of year	12,952,037
Exchange adjustment	<u>(62,313)</u>
Balance at the end of period	<u><u>12,889,724</u></u>

As at 30 June 2019, included in the allowances for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balances of HK\$71,375 and HK\$12,889,724. The individually impaired receivables related to customers that were in financial difficulties or in dispute and the management assessed that the recovery of the amounts is doubtful. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade payables	1,837,666	1,268,555
Other payables	<u>10,790,958</u>	<u>10,219,307</u>
Total trade and other payables	<u><u>12,628,624</u></u>	<u><u>11,487,862</u></u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current to six months	1,625,928	1,037,159
Over six months and within one year	851	59,023
Over one year	<u>210,887</u>	<u>172,373</u>
	<u><u>1,837,666</u></u>	<u><u>1,268,555</u></u>

The average credit period is 60 days (2018: 60 days).

17. SHARE CAPITAL

	Number of shares	HK\$
Issued and fully paid		
At 1 January 2018, 31 December 2018 and 30 June 2019	<u>1,145,546,000</u>	<u>898,839,029</u>

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENT

These condensed interim financial statements were approved and authorised for issue by the Directors on 23 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group recorded net profit attributable to owners of the Company of approximately HK\$1.85 million (30 June 2018: HK\$1.08 million). The Group's substantial growth in net profit is mainly attributable to (i) the increase of approximately 4% in revenue from hotel operations for the period ended 30 June 2019 as compared to the revenue from hotel of approximately HK\$15.20 million for the six months ended 30 June 2018 and (ii) increase in rental of investment properties in Hong Kong during the period.

The turnover of the Group for the six months ended 30 June 2019 amounted to approximately HK\$19.33 million, representing an increase of approximately 8.2% from approximately HK\$17.87 million in the corresponding period of previous year. The increase is mainly due to the increase in business volume of star-rated hotel operation during the year under review.

Given our good balance sheet status and cash generation ability, our financial position continues to be strong. As at 30 June 2019, the gearing ratio (divided non-current liabilities by equity plus non-current liabilities multiple by 100 which results in percentage) of the Group was 0.9% (31 December 2018: 1%).

Operational Review

a. Star-rated Hotel Operation

Star-rated hotel operation is the main source of revenue for the Group. For the six months ended 30 June 2019, revenue from the Group's hotel was approximately HK\$15.80 million (30 June 2018: HK\$15.20 million), representing an increase of approximately 4% from the corresponding period.

For the period under review, the occupancy rate was approximately 78% (30 June 2018: 73%), representing an increase of approximately 6.8% from the corresponding period of last year. Average daily rate ("ADR") was approximately RMB316 (30 June 2018: RMB290), representing an increase of approximately 9% over the corresponding period of last year.

The following table sets out the amount and percentage of contributions from different businesses of the star-rated hotel operation for the six months ended 30 June 2019, together with comparative figures of 30 June 2018:

	30 June 2019		30 June 2018	
	<i>HK\$ in thousand</i>	<i>% of revenue</i>	<i>HK\$ in thousand</i>	<i>% of revenue</i>
Accommodation revenue	9,822	62%	8,820	58%
Rental revenue	1,241	8%	1,873	12%
Catering	4,186	27%	3,844	25%
Others	511	3%	661	5%
	<u>15,760</u>	<u>100%</u>	<u>15,198</u>	<u>100%</u>

Accommodation revenue

The accommodation revenue was mainly determined by the number of available rooms, occupancy rate and ADR of the Group's hotel. During the period under review, the accommodation revenue of star-rated hotel was approximately HK\$9.82 million, representing an increase of approximately 11.36% over the corresponding period of 2018. Which is mainly due to an increase of occupancy rate and ADR during the period ended 30 June 2019.

Rental revenue

In order to stabilize the income of the hotel operation, the hotel leased out venues available in the Group's hotel. This contributed to approximately HK\$1.24 million in rental revenue during the period under review, representing approximately 8% of the Group's hotel revenue.

Catering revenue

The Group made a major effort to develop the catering business of its hotel, which generated revenue of approximately HK\$4.19 million and represented approximately 27% of the Group's hotel revenue for the period under review.

Increasing costs arising from the operating environment, especially from increasing wages, remains the key challenge for the hotel industry. To overcome these adversities, the Group will continue to implement tight cost control measures and seek further improvement in operational efficiency to minimize the adverse impacts.

b. Hong Kong properties held by the Group

All properties in Hong Kong held by the Group were nearly fully rented out during the period under review, which brought a steady rental income to the Group.

The rental income of the properties in Hong Kong was approximately HK\$3.58 million during the period under review.

With the support of the stable Hong Kong economy growth, rental reversion and stable occupancy will drive the revenue growth for the Group's properties.

c. Piano Manufacturing

The Group diversified its business into piano manufacturing by acquiring a 25% equity interest in Fuzhou Harmony Piano Co. Ltd. (福州和聲鋼琴股份有限公司) ("Harmony Piano") in 2005. For the six months ended 30 June 2019, the interest in Harmony Piano contributed approximately HK\$90,000 in profit during the period under review. (30 June 2018: approximately HK\$20,000).

FINANCE LEASING

For the six months ended 30 June 2019, the interest in joint venture contributed approximately HK\$1.7 million in profit for the period.

FUTURE DEVELOPMENT

Looking forward, the Group will adhere to the corporate strategy using investment management and operation management as a core method for achieving continuous value-based growth. On the one hand, the Group will continue its searches for assets with healthy profitability and excellent growth potential as long-term investment through investment management. On the other hand, it will establish a group-level multi-dimensional operation-supporting system covering among others, brand operation, management information, human resources and supply chain to advance operation efficiency, lower costs and enhance brand influence.

We are aware that during the past year, China's hotel industry has maintained a relatively speedy growth and has been constantly changing. However, the nature of China's hotel industry remained unchanged. The increase of disposable income per capita, the rise of urbanisation level and the accelerating pace of life remained the base driving forces behind the long-term and constant growth of China's hotel industry.

The Group will strive to seize the opportunity presented by the reform of state-owned assets, give full play to the strengths of Fujian Tourism Development Group Co., Ltd. as "Top 20 advantage Tourism Group in China" and actively seek a new breakthroughs in the field of tourism-related and other business areas, together with accelerating the reform in the area of institutional mechanisms and integrating the industry chains of hotel, tourism and other businesses. Meanwhile, we will expand into

industries such as finance, high technology, intelligent technology and international trade, etc. to achieve diversification of our income source, so as to further increase our overall asset return and enterprise value.

FINANCIAL REVIEW

Capital Structure

As at 30 June 2019, the total share capital of the Company was HK\$898,839,029 divided into 1,145,546,000 ordinary shares.

Liquidity and Financial Resources

As at 30 June 2019, the Group had a net cash balance of approximately HK\$52.87 million (31 December 2018: HK\$49.54 million). The Group's net asset value (assets less liabilities) was approximately HK\$406.14 million (31 December 2018: HK\$404.41 million), with a liquidity ratio (ratio of current assets to current liabilities) of 4.18 (31 December 2018: 4.26). During the year under review, there was no material change in the Group's funding and treasury policies. The Directors do not expect the Company to experience any problem with liquidity and financial resources in the foreseeable future.

Funding and Treasury Policies

The funding and treasury policies of existing subsidiaries of the Group are centrally managed and controlled by the Group's senior management in Hong Kong.

Treasury Management and Cash Funding

The Group's funding and treasury policies are designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing.

Exposure to fluctuation in exchange rate and related hedges

There had been no significant change in the Group's policy in terms of exchange rate exposure. The Group operates mainly in Hong Kong and the PRC. Most of the transactions are denominated in Hong Kong dollars ("HK\$") and in Renminbi (RMB). The Group is exposed to foreign currency risk due to the exchange rate fluctuation of RMB against HK\$. Moderate fluctuation of RMB against HK\$ was expected and the Group considered the foreign currency risk exposure is acceptable. However, management of the Group will monitor foreign exposure closely and consider the use of hedging instruments when necessary.

The funding and treasury policies of existing subsidiaries of the Group are centrally managed and controlled by the Group's senior management in Hong Kong.

We have cash and cash equivalent balances denominated in various currencies. The following is a breakdown of our cash and cash equivalent balances by currency as at the end of each period/year:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash and cash equivalents denominated in RMB (in thousands)	<u>40,592</u>	<u>37,644</u>
Cash and cash equivalents denominated in HK\$ (in thousands)	<u>12,283</u>	<u>11,897</u>

CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We manage our capital structure and make adjustments to it in order to have funds available to support the business activities which the Board intends to pursue in addition to maximizing the return to shareholders. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, we will utilise our existing working capital and raise additional amounts as needed. Management reviews our capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

Charge on Assets

As at 30 June 2019, the Group did not charge any of its assets.

Bank Loans and Other Borrowings

There were no outstanding bank loan and other borrowings by the Company and the Group as at 30 June 2019 (31 December 2018: Nil).

Capitalised Borrowing Costs

No borrowing costs were being capitalised during the period ended 30 June 2019 (31 December 2018: Nil).

Significant Investments

The Group held no other significant investment during the reporting period.

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition and disposal of subsidiaries and affiliated companies during the period.

Contingent Liability

The Group did not have any significant contingent liability during the period under review.

Human Resources

As at 30 June 2019, the Group had approximately 144 employees in Hong Kong and Xiamen. The remuneration package was determined with reference to performance and the prevailing market rate. The Group also provides employees with training, the opportunity to join its mandatory provident fund scheme and medical insurance cover.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERESTS IN COMPETING BUSINESSES

During the Period, none of the Directors or their respective associates of the Company had any business which competes or is likely to compete, either directly or indirectly, with any business of the Group.

INTERESTS IN ASSETS OF THE GROUP

During the Period, none of the Directors of the Company had any direct or indirect interests in any assets which have been acquired or disposed of, or leased to, or which are proposed to be acquired or disposed of or leased to, the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors of the Company were materially interested in any contract or arrangement subsisting during the Period which is significant in relation to the business of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Adapting and adhering to recognized standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board of Directors (“the Board”) believes that good corporate governance is one of the areas that leads to the success of the Company and balances the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company had fully complied throughout the period under review with the code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the Directors, the Company has met all code provisions as set out in the Code during the year ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Appendix 10 of the Listing Rules, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made with all Directors, and the Directors had complied with the requirements set out in the Model Code for the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Company was established in 1999. Currently, it comprises three members, all of whom are independent non-executive Directors, namely Ms. Liu Mei Ling Rhoda who possesses professional accounting qualification, Mr. Lam Kwong Siu and Mr. Ng Man Kung. Ms. Liu Mei Ling Rhoda is the Chairman of the Audit Committee. The Audit Committee adopted the terms of in accordance with the Code issued by the Stock Exchange. The principal duties of the audit committee include the review and supervision of the Group’s financial reporting process and internal controls. Two meetings have been held by the audit committee during the Period. Each Committee meeting was provided with necessary financial information of the Group for consideration, review and assessment of major issues.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the interim financial results for the Period. The Audit Committee considers the financial statement to in compliance with the appropriate financial standards and regulations and sufficient disclosure has been made.

The unaudited interim financial report for the six months ended 30 June 2019 was approved by the Board for issue on 23 August 2019.

PUBLICATION OF INFORMATION ON WEBSITES

This announcement is published on the websites of the Company (www.fujianholdings.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the period ended 30 June 2019 will be dispatched to shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENTS

I would like to take this opportunity to extend my sincere gratitude to all shareholders, business partners and customers for their support, and to all our colleagues for their efforts, hard work and dedication. Their hardwork forms the foundation for the Group's future business development.

By Order of the Board
Fujian Holdings Limited
Chen Yangbiao
Chairman

Hong Kong, 23 August 2019

As at the date of this announcement, the existing board of Directors comprises nine Directors, including three executive Directors, namely Mr. Chen Yangbiao, Ms. Chen Danyun and Mr. Chen Yang, three non-executive Directors, namely Mr. Feng Qiang, Mr. Wang Ruilian and Ms. Weng Weijian and three independent non-executive Directors, namely Mr. Lam Kwong Siu, Mr. Ng Man Kung and Ms. Liu Mei Ling Rhoda.